

CHAPTER 5: THE FLATHEAD ECONOMY

A successful economy would be when “logging has once again become a large industry and stable. County government has stepped out of developers’ way to develop private land. People make money off forest logging rather than fires. County property taxes have not increased. Schools are self supporting. Private business does as private owners want (i.e. smoking). Our county stands up to state and federal governments, not just lay down to them”

-Smith Valley Resident, 01/10/06

A successful economy would have “an average income higher than the national average, which should be considered a bare minimum goal, we must devise incentives to bring ‘clean’, non-intrusive industries and businesses to the county, in part to help replace disappearing logging and agricultural jobs; in part to give a reason for capable, intelligent young people to remain”

-Somers Resident, 11/30/05

Introduction

Northwest Montana’s economy is characterized by diversity. Flathead County in particular has been identified as having the most balanced employment compositions in the Rocky Mountain West,¹ with no one sector of the economy providing the most significant employment or wages. Region specific export products such as Flathead Cherries, the tourism draw of Glacier National Park and Flathead Lake, and the growing areas of healthcare, specialized services, construction, and retail trade have produced the diverse Flathead County economy of today.

The county’s natural environment is one of its chief economic assets contributing significantly to the high quality of life. This quality of life is characterized by natural scenic beauty, clean air and water and access to outdoor and recreational opportunities. The county’s growing population fueled mainly by in-migration is a sign of the area’s attractiveness and confirmation that the quality of life is a major economic asset.

Rapid population growth, detailed in Chapter 3, has been the major driver in the county’s economic vitality. The population of older, working, financially established adults has rapidly increased as those in their early 40’s to late 50’s have been attracted to relocate to Flathead County. With time and demographic changes, the economy has transitioned to reflect an increase in the number of incomes and thus more business activity and job growth.

¹ State of the Rockies; Report, Colorado College, 2004

Goal

- G.20 A healthy and vibrant Flathead County economy that provides diversity and living-wage job opportunities and is comprised of sustainable economic activities and private sector investment.

Policies

- P.20.1 Provide adequate land area designated for commercial use to promote affordability and thus entrepreneurialism and/or businesses relocation to Flathead County.
- P.20.2 Develop methods to maintain a sustainable agricultural industry through community-based incentives for farmers to continue agricultural activities.
- P.20.3 Foster small business development as a method to provide locally produced goods and services to meet the needs and demands of local communities and to provide region-specific export goods.
- P.20.4 Promote education and work force development programs to better prepare current and future generations for high-quality job opportunities and to provide employers with quality and dependable workers.
- P.20.5 Utilize economic development authorities to attract relocation or startup of businesses that offer competitive wages, job opportunities for those with a range of educational backgrounds, and minimal impacts on the character of Flathead County.
- P.20.6 Preservation of the natural amenities which characterize the county in order to attract the development of high-value, low-impact type industries, maintain the high quality of life which attracts visitors and new residents, and sustain the tourism sector of the economy.

Goal

- G.21 Available, accessible, and adequate business infrastructure including facilities, utilities, and transportation networks to facilitate new businesses and relocation of existing businesses to the County

Policies

- P.21.1 Identify infrastructure needs of the various businesses types and identify areas of the County which can best suit those needs.

- P.21.2 Promote businesses centers and industrial parks in areas served by sufficient infrastructure with consideration to proximity to population densities.
- P.21.3 Encourage the development of an airport industrial/business center to provide convenient access to Glacier International Airport and to foster the growing economy.
- P.21.4 Consider the infrastructure needs of local businesses when prioritizing new county facilities development.

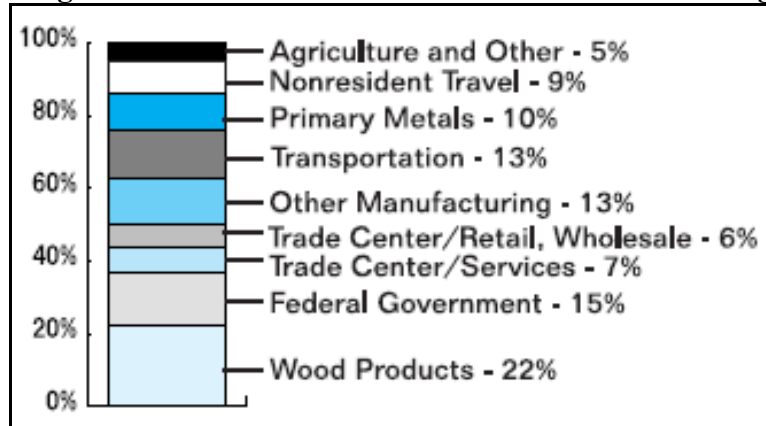
PART 1: Economic Composition (see Goals 20 and 21)

The Flathead Valley was historically a natural resource based economy. Logging, mining and commodities production have decreased over time and what is emerging is a diverse economy that is particularly strong in a variety of retail trade and service industries. The county economy has experienced significant restructuring over the past twenty years as employment, labor earnings, and sales have witnessed enormous increases in the services and retail trade sectors, far out-shadowing sectors with slower or negative growth. The natural amenities contributing to the character in Flathead County has attracted many small businesses and technology companies that are becoming more prevalent in light of the new knowledge-based, globalized economy. The factor responsible for this economic change is population growth, bringing demand for goods and services available in the local economy.

Several types of indicators can be used to evaluate the trends in sectors and sub-sectors of the economy. Wages and incomes, employment, and sales are some of the indicators which show changes over time. All of these indicators are discussed throughout this Chapter to contrast past and current trends and to provide a snapshot of today's economy. The data detailing the Flathead County economy are extensive. However, consistent information for inter-sector comparisons per year is not always available. Information contained in this chapter describes both basic and non-basic sectors. Basic sectors are those sectors of the economy which are entirely dependent on export of their goods or services and examples of which are agriculture, manufacturing, and retail trade, while non-basic sectors are dependent on local consumption of goods and services and include sectors such as healthcare and education.

The county has grown in population over the past two decades; however the growth in indicators such as wage income has vacillated between 1970 and 2000. For basic economic sectors, manufacturing of wood products, primary metals refining, and high-tech account for approximately 45% of the economic base of the county. Other large elements in the economy are the federal government which includes the USDA Forest Service and the U.S. Park Service, transportation including railroads, and non-resident travel as shown in Figure 5.1.²

² Outlook for Flathead County, Montana's 2005 Economic Outlook

Figure 5.1**Wage Income for Basic Economic Sectors – 2000 through 2003**

Source: Outlook for Flathead County, Montana's 2005 Economic Outlook

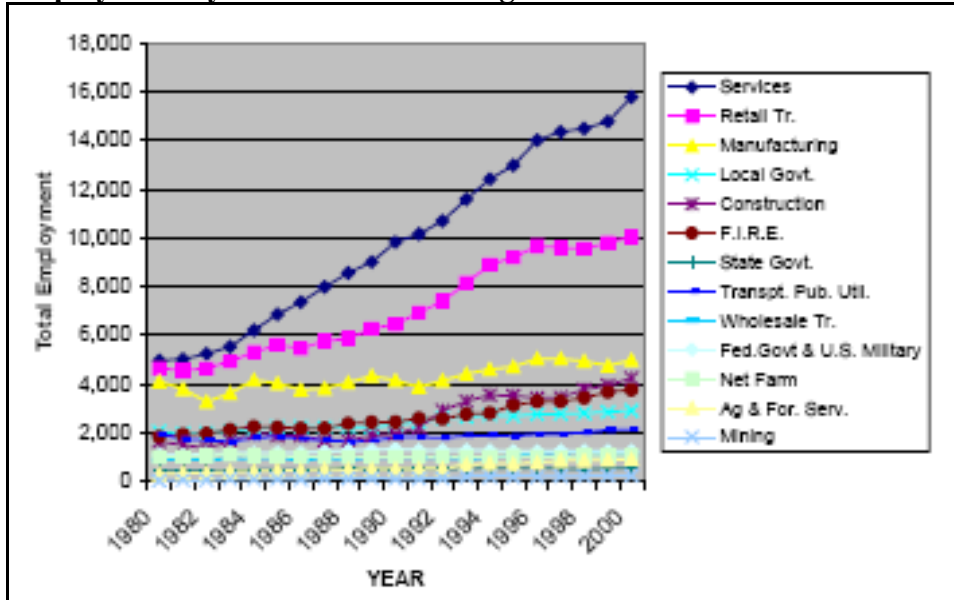
The economic sectors detailed in the US Economic Census provide data for standard sectors in the county economy (however construction is not included). From the Census information, the total increase in sales for all sectors equaled 6% over the five year period, increasing from \$2.24 billion to \$2.40 billion during that period. Retail trades were the largest portion of sales in the county equaling over \$1 billion in 2002, while manufacturing sales totaled nearly \$646 million and health care and social assistance equaled \$278 million³. A detailed discussion of individual economic sectors is available in Appendix A: Baseline Analysis.

Flathead County should take the appropriate measures to create a market-friendly environment that promotes entrepreneurship and small-business investment. Appropriate and compatible land uses, such as industrial parks near the airport and visible and accessible commercial lands are a critical component of maintaining a diverse economy. With population projected to continue increasing to over 111,000 by 2025, the Flathead economy will continue to grow. A plan to promote all economic sectors through appropriate, diverse and compatible land uses that preserve the integrity of the community will ensure the opportunity for diverse growth.

PART 2: Employment (see Goal 20)

From 1990 to 2000, 15,700 new jobs were created in Flathead County representing an increase of nearly 50%. Dramatic increases occurred between 1980 and 2000 in areas of services and retail trade as shown in Figure 5.2.

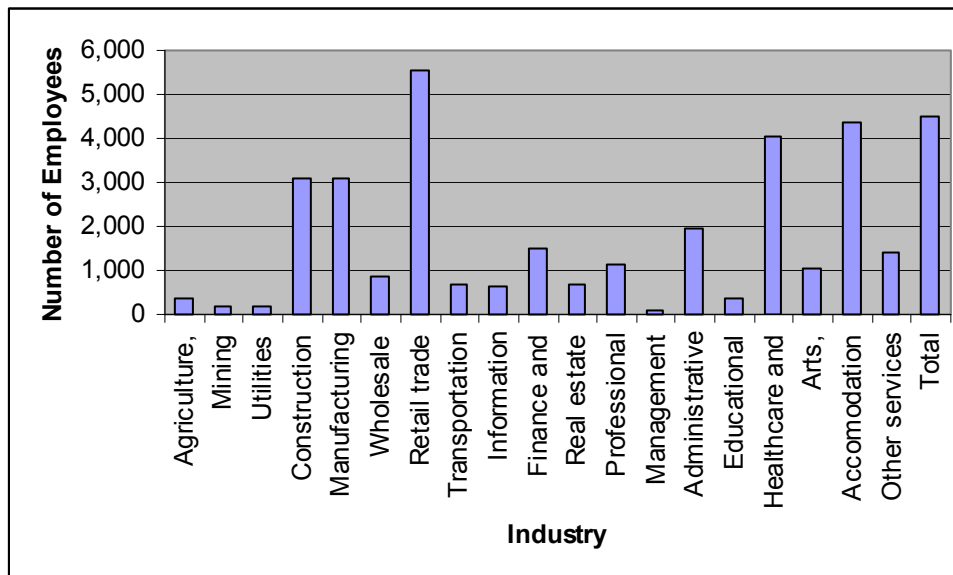
Figure 5.2
Employment by Sector – 1980 through 2000



Source: Swanson, Larry D. *The Flathead's Changing Economy: Assessing the Role of National Parks in the Economies of High Amenity, Non-metro Regions of the West*; National Parks Conservation Association, 2002

Approximately 35,707 persons were employed in private and public firms in 2004. The concentration of employment is spread over several sectors as shown in Figure 5.3. The sector with the largest number of employees is that of retail trade with 5,551 employees, followed by government, accommodation and food services, and healthcare and social services. Those sectors with the least number of employees are management of companies and enterprises with 92, mining with 190, and utilities with 193.

Figure 5.3
Employment by Industry - 2004



Source: Labor Market Information for Flathead County; Montana Department of Labor and Industry, 2005

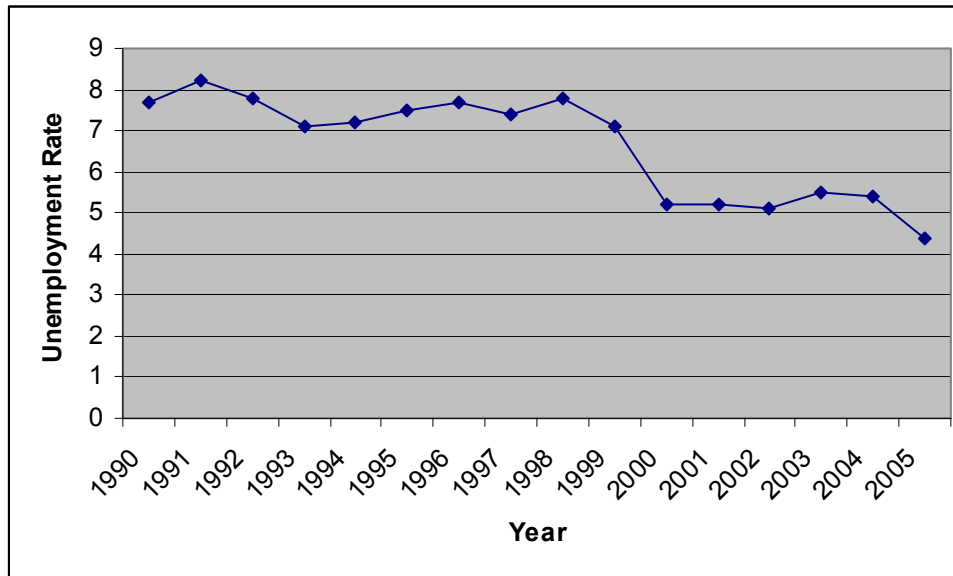
Growth in the service and retail sectors which includes retail trade and finance, insurance, and real estate, has notably increased to meet the growth in population. Service and retail trade sectors witnessed a 57% employment growth during the 1990's. The types of occupations that increased in number were mainly high quality jobs such as those in the areas of health care, engineering and management services, and business services. Service and retail occupations accounted for over 70% of the labor earnings during the 1990's. Between 1997 and 2000, the number of employees in health care and social assistance increased by 257%, followed by arts, entertainment, and recreation with an increase of 74% and employees in administrative and support and waste management and remediation services which increased by 70%.³

Unemployment Rates

Flathead County is experiencing a historically low unemployment rate as seen in Figure 5.4. The Flathead County Job Service Workforce Center reports 600 job openings, as compared with 400 in spring 2005. Businesses in the service and retail trade sectors in particular are experiencing difficulty hiring and maintaining dependable employees.

³ US Economic Census 1997, 2002

Figure 5.4
Unemployment Rate – 1990 through 2005



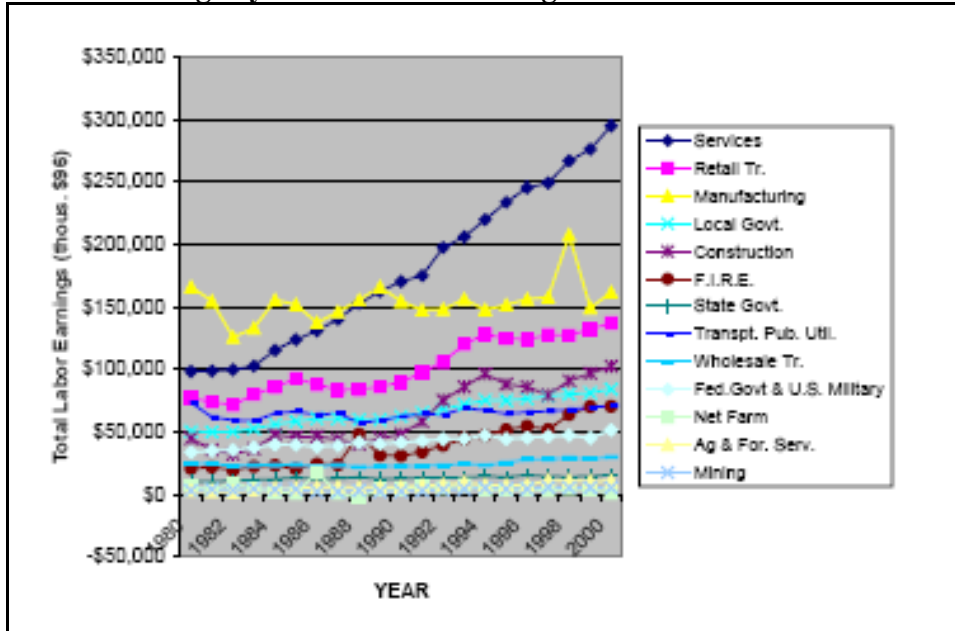
Source: Unemployment Rates and Labor Force Statistics; www.ourfactsyourfuture.org

Wages

Flathead County wages are rising. However they are far from meeting the national average. Flathead County employers pay less than US employers on average, but are more competitive with average wages for the state of Montana across numerous sectors⁴. Wages rose by 7.4% from 2003-2004. Per capita personal income in 2004 was \$28,598 placing Flathead County as 10th highest in the state.

⁴ Davis, Gregg, PhD and Lynette Smith. Flathead County Wage and Benefit Survey; Center for Business Information and Research, 2005

Figure 5.5
Labor Earnings by Sector – 1980 through 2000

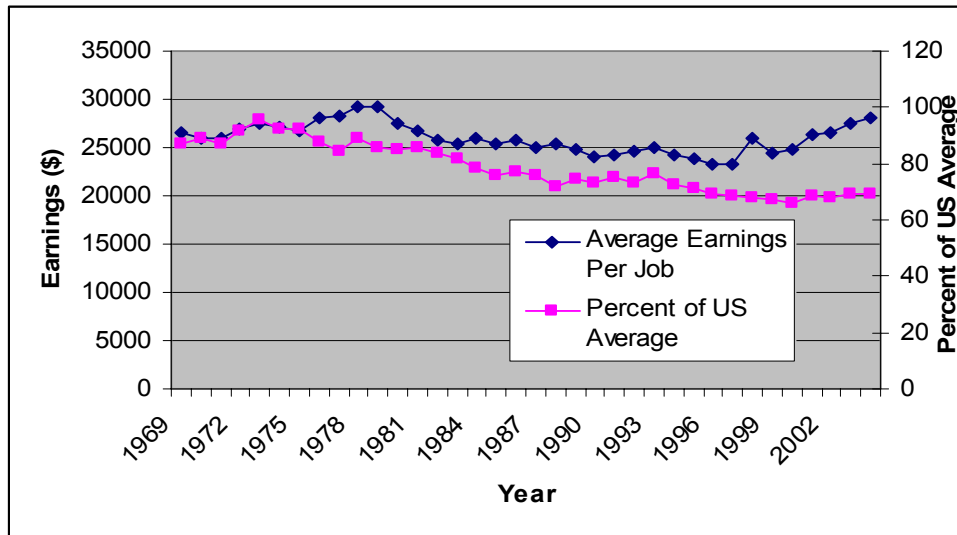


Source: Swanson, Larry D. *The Flathead's Changing Economy: Assessing the Role of National Parks in the Economies of High Amenity, Non-metro Regions of the West*; National Parks Conservation Association, 2002

The increasing cost of living in Flathead County has a large influence on what is a 'livable wage' or in other words a wage which covers the costs of basic needs such as housing, food, transportation, healthcare, and insurance. The cost of housing in the county as discussed in Chapter 3 is a major factor when determining a 'livable' wage, as this cost in particular has risen dramatically over the past decade. Private businesses which offer medical benefits equate to approximately 51%⁴. This is most likely due to the fact that the majority of companies are small businesses, and those type of businesses in the county, who have four or fewer employees, offer medical plans only 47% of the time. In addition, only 20% of the employers in the county provide pension plans and 41% offer a 401(k) or savings plan⁴, which is an additional cost to consider when factoring wage and income for area residents.

Although wages as a whole have generally been on the increase since the latter part of the 1990's, when compared to the United States, the average earnings per job in Flathead County have steadily declined against the national average as shown in Figure 5.6. In the early 1970's the earnings per job in the county were comparable to those nationwide, when in 1973 the average earnings per job in the county were over 95% of the national average. By the year 2004, the average earnings per job had dropped below 70% of the national average. Frustration with below average wages is evident from the residents of Flathead County. A goal commonly cited by participants in the 2005-2006 growth policy scoping meetings was job with living wages that offer health insurance (see Appendix B: Public Involvement Summary).

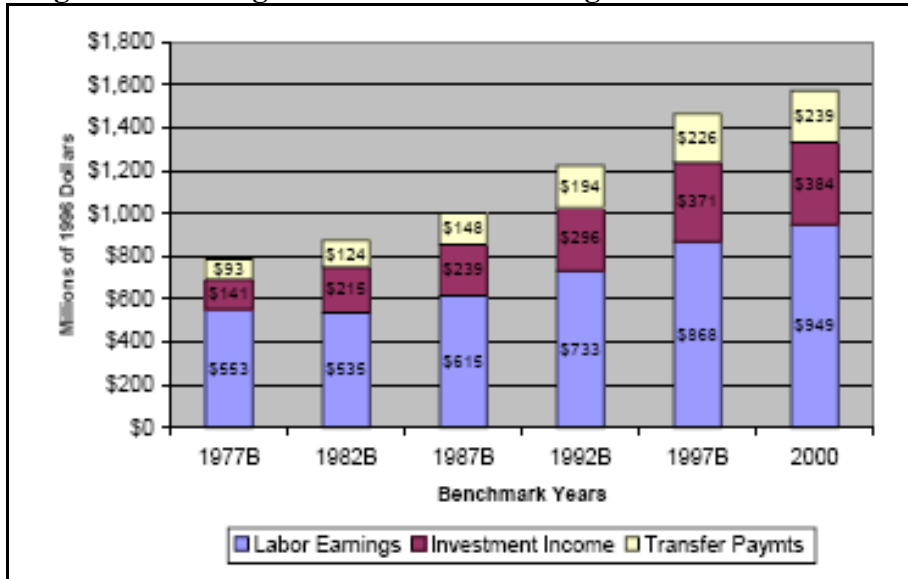
Figure 5.6
Average Earnings per Job – 1969 through 2004



Source: Flathead County and Montana: Average Earnings per Job, 1969-2004; Northwest Income Indicator Project.

Flathead County residents are increasingly living on non-wage incomes which include income from investments and transfer payments, such as social security, as the number of people in the age group of 40 to 60 years has grown. In 2000, 60% of incomes were wage-based; a 10% decrease from 1990. Nearly 25% of all income in the county came from investments such as dividends, capital gains, and interest. The remaining 15% of all income came from transfer payments sources such as social security, Medicare, and Medicaid. Error! Bookmark not defined. Figure 5.7 shows the income composition in the county from 1977 through 2000, comparing wage and non-wage incomes.

Figure 5.7
Wage vs. Non-Wage Incomes – 1977 through 2000



Source: Swanson, Larry D. *The Flathead's Changing Economy: Assessing the Role of National Parks in the Economies of High Amenity, Non-metro Regions of the West*; National Parks Conservation Association, 2002

Workforce

The number of vacant positions indicates that employers are experiencing difficulty when hiring and retaining dependable employees. The lack of sufficient workforce in Flathead County produces concerns about education, training and employee recruitment, in addition to the gender gap in employment.

The majority of Flathead County residents 25 years or older have some education beyond high school, with 5% holding a 2-year associate degree, 18% holding a 4-year bachelor's degree, 6% with graduate or professional degrees, and 29% have some college but no degree. This education trend is similar to that in the entire state of Montana. An educated workforce is critical to a diverse economy. A major component of attracting business investments to the county is having a well-trained and ambitious workforce. Flathead Valley Community College provides a critical service in achieving this objective and should be supported. For more on Flathead Valley Community College, see Chapter 7: Public Facilities and Services.

In 2000, male workers comprised 54% of the workforce with female workers comprising the remaining 46%. Men held more jobs in labor intensive industries such as manufacturing and construction and in retail trade while more women held positions in education, healthcare, and finance and insurance⁵.

⁵ www.censusscope.org

PART 3: Business Characteristics (see Goals 20 and 21)

The majority of businesses in the county are small businesses indicating that entrepreneurship is significant in the area. Advanced telecommunications infrastructure and transportation has allowed new business opportunities in the county. The attraction of the area offering a high quality of living is an advantage in enticing the relocation or start-up of high-tech and value-added businesses, as these businesses produce high value goods with low environmental impact. Non-employee businesses, or small businesses that sustain only the business owner, are prevalent and compose a notable part of the Flathead County economy.

Approximately 3,986 individual private businesses operated in the county in 2004, 91% of which are small businesses with one to 19 employees⁶. Construction firms are the most numerous with 743 construction businesses which include construction of buildings, heavy and civil engineering construction, and special trade contractors. Retail trade is the second most numerous in regard to number of establishments with 534 businesses including motor vehicle and parts dealers, furniture and home furnishing stores, gasoline stations, and general merchandise stores. Professional and technical services, accommodation and food services, and other services are the next most numerous sectors in regard to number of businesses as shown in Table 5.1.

⁶ 2000 County Business Patterns for Flathead, MT; US Census 2000

Table 5.1
Number of Establishments per Sector - 2004

Industry	# of establishments
Construction	743
Retail trade	534
Professional and technical services	358
Accommodation and food services	324
Other services	317
Healthcare and social assistance	304
Administrative and waste services	207
Real estate and rental and leasing	205
Finance and Insurance	200
Manufacturing	186
Transportation and warehousing	130
Wholesale trade	121
Arts, entertainment, and recreation	115
Agriculture, forestry, fishing, and hunting	101
Information	76
Educational services	29
Mining	18
Management of companies and enterprises	11
Utilities	9
Total private businesses	3986

Source: Labor Market Information for Flathead

Larger employers comprise a much smaller segment of the Flathead County economy. In 2000, twenty-four businesses employed between 100 and 499 employees, while only three businesses employed 500 or more employees⁶. Some of the top private employers in the county are shown in Table 5.2.

Table 5.2
Top Private Employers in 2004

Industry	Employer
Utilities	Century Tel, Flathead Electric
Services	Glacier Bank, Kalispell Regional Medical Center
Retail Trade	Wal-Mart, Smith's Food & Drug
Manufacturing	Semitool, Inc, Columbia Falls Aluminum
Construction	Rocky Mountain Contractors, Schellinger Construction

Source: Labor Market Information for Flathead County; Montana Department of Labor and Industry, 2005

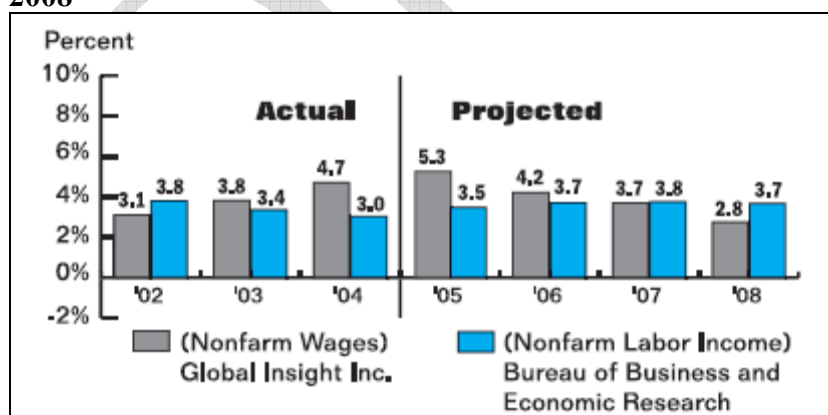
PART 4: Facilities and Infrastructure (see Goal 21)

Adequate business facilities and public infrastructure are necessary to promote a healthy business climate. Successful business communities often rely upon designated business districts to promote close proximity of businesses and services. Advances in transportation and communication technologies have enabled businesses to thrive in more remote areas of the nation. Important transportation infrastructure for the county economy includes Glacier National Airport, road networks, and the railroad lines while utilities such as those providing high speed internet and phone services are also essential. For an overview of land use considerations for commercial development please see Chapter 2, and for more information on public facilities and infrastructure in the county, please refer to Chapter 7.

PART 5: Economic Outlook

Estimates projecting future economic activity in Flathead County include an increase in non-farm labor income growing by 3.0 to 4.0 percent per year through 2008, while other projections had predicted slightly faster growth in 2005 with a deceleration in the following part of the decade both of which are shown in Figure 5.8. Predicting the future economic trends is a daunting task, particularly with the transitioning economy in Flathead County. As population growth slows in the future, those sectors dependent on the growth itself, such as the construction industry, will experience decline. The manufacturing sectors of the economy are currently in decline and growth in service and retail trade is fast increasing, proving that the economy is clearly shifting to reflect the demographic changes. Success in creating and maintaining a sustainable economy will rely largely on the behavior of private markets.

Figure 5.8
Actual and Projected Change in Nonfarm Labor Income and Wages – 2002 through 2008



Source: Outlook for Flathead County, Montana's 2005 Economic Outlook

Projections for the state of Montana through 2012 appear to reflect similar trends in the county economy. These projected trends include employment declines in natural resource-based industries such as mining, crop and animal production, and forestry, and

also in manufacturing industries such as computer and electronic product manufacturing, wood product manufacturing, and primary metal manufacturing. Similarly, economic predictions for the state foresee increases in service occupations, construction, and retail trade.⁷

Wages will most likely continue to rise as the cost of living in the county continues to increase. Employers will be forced to provide adequate wages to meet the cost of living, or be faced with increased vacancies. Any future influx and creation of new high-value jobs would be expected to increase wages.

As a whole, the economic outlook for the area is good, with a diversifying economy which protects the county from suffering significantly from sudden economic changes in one sector. However, Flathead County's ability to attract and retain a sustainable employment base with industries and jobs that will remain in times of slow or fast population growth will determine the strength of the economy in the future. Flathead County can assist by encouraging safe, healthy, convenient, compatible and efficient land uses during the process of community development that allow a diverse number of businesses to flourish.

⁷ Industry Employment Projections, www.ourfactsyourfuture.org